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December 1, 2004

Mary L. Cottrell, Secretary  
Department of Telecommunication and Energy  
One South Station, 2<sup>nd</sup> Floor  
Boston, MA 02202

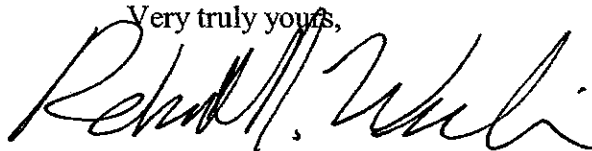
Re: D.T.E. 04-61 — Petition of Boston Edison Company and Commonwealth Electric  
Company for Approvals Relating to the Termination of Power Purchase  
Agreements with MASSPOWER

Dear Secretary Cottrell:

Enclosed for filing are the Comments of Boston Edison Company and  
Commonwealth Electric Company d/b/a NSTAR Electric to the Attorney General's  
Motion to Reopen Hearings in the above-referenced proceeding. Also enclosed is a  
certificate of service.

Thank you for your attention to this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read "Robert N. Werlin", written over the typed name.

Robert N. Werlin

Enclosures

cc: Joan Foster Evans, Hearing Officer  
Service List

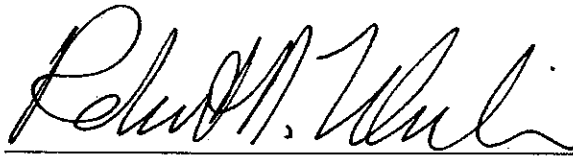
**COMMONWEALTH OF MASSACHUSETTS**  
**DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

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Boston Edison Company )  
Commonwealth Electric Company )  
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D.T.E. 04-61

**CERTIFICATE OF SERVICE**

I certify that I have this day served the foregoing document upon the Department of Telecommunications and parties of record in accordance with the requirements of 220 C.M.R. 1.05 (Department's Rules of Practice and Procedures).



Robert N. Werlin, Esq.  
Keegan, Werlin & Pabian, LLP  
265 Franklin Street  
Boston, Massachusetts 02110  
(617) 951-1400

Dated: December 1, 2004

**COMMONWEALTH OF MASSACHUSETTS**

**DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

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Petition of Boston Edison Company and  
Commonwealth Electric Company  
for Approvals Relating to the Termination  
of Power Purchase Agreements with  
MASSPOWER

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D.T.E. 04-61

**COMMENTS OF BOSTON EDISON COMPANY AND  
COMMONWEALTH ELECTRIC COMPANY TO  
THE ATTORNEY GENERAL'S MOTION TO REOPEN HEARINGS**

On November 23, 2004, the Attorney General filed a motion to reopen the above-referenced proceeding (the "Motion") to examine information relating to the Henwood Fall 2004 forecast. Because Boston Edison Company and Commonwealth Electric Company, d/b/a NSTAR Electric ("NSTAR Electric" or the "Companies") have already filed updated information based on the Henwood Fall 2004 forecast in response to supplemental requests of the Department of Telecommunications and Energy (the "Department"), the motion is moot. Relevant data has been presented and no evidentiary hearing is required to address the issue further.

As indicated in the Motion, NSTAR Electric has updated its forecast of customer savings (RR-DTE-1 (Second Supplement)) based on the new Henwood forecast of energy and fuel prices. Additionally, it has updated various sensitivity scenarios based on the Henwood Fall 2004 forecast (RR-DTE-5). Nonetheless, the Attorney General now appears to request that hearings be reopened further to make changes to the underlying Henwood Forecast based on potential outcomes of a proceeding before the Federal

Energy Regulatory Commission (the “FERC”) relating to whether and how electricity prices should include so-called Locational Installed Capacity (“LICAP”) (Motion at 3). The Attorney General claims that he “must have an opportunity to examine this new information in the context on an evidentiary hearing” (*id.*). Although, as described below, LICAP is not at issue in this proceeding, the Attorney General has already questioned the Companies’ witnesses on LICAP and further hearings are unnecessary.

The Companies have relied on the Henwood Forecast because it is an industry-known, independent, third-party forecast of the key energy variables needed in this analysis and have been relied on by NSTAR Electric and the Department in the past (Exh. DTE-2-9 [D.T.E. 04-60]). See Pittsfield at 26 (“[t]he Henwood forecast is a widely-available and reasonable proxy for a forecast of the price of electricity.”). Moreover, the Henwood forecasts fell between other well-regarded market forecasts (Exh. AG-3-10, Attachment AG-3-10(b) **CONFIDENTIAL** [D.T.E. 04-60]). The Companies may not necessarily agree with every assumption and algorithm used in the Henwood Forecast, but have not endeavored to adjust or manipulate the results of the forecast to achieve any particular result. Instead, they are relying on the independence and credibility of this forecast data and applied them to the analysis of customer savings, without change.

The Attorney General would have the Department pick and choose one assumption for adjustment (*i.e.*, LICAP), without regard to any other assumption or input in the model. This is conceptually flawed and undermines the value of relying on the totality of the independent judgments of a third-party expert, who has prepared a forecast for a wide audience of clients and subscribers. The Henwood assumptions regarding capacity values represent only a small subset of the totality of assumptions underlying the

Fall 2004 Forecast. There are many other assumptions (see RR-DTE-1 (Third Supp), Att. RR-DTE-1 (Supp) **CONFIDENTIAL BULK**, Chapter 4), which individually or in aggregate are likely to have an equally significant effect on the market price forecast. The purpose of a third-party reference case forecast, however, is to accept the results without manipulating such key assumptions or methodologies. Moreover, resolution of the appropriate manner of dealing with LICAP in a forecast requires assumptions about the outcome of the FERC proceeding and how that outcome will translate into future costs in the electricity market. Although the Henwood Forecast has attempted to incorporate implicitly such assumptions in its electricity price forecast by including the value of capacity, there is no way that the Department can reconcile those assumptions with the *ad hoc* scenarios suggested by the Attorney General.

The record that has already been compiled in D.T.E. 04-85 regarding this issue is as complete as possible, and the Companies would have no objection to the Department incorporating that record in this case (especially since the record in this proceeding was incorporated by reference in D.T.E. 04-85). In fact, such incorporation by reference would obviate any need for more hearings, since the Attorney General has already examined the Companies' witness regarding the use of LICAP in the Henwood Forecast and has received all of the information that is available. As described by Mr. Hevert, it is not possible to quantify precisely how LICAP is included in the Henwood Forecast or how to make adjustments to the forecast (assuming an adjustment were deemed appropriate (RR-DTE-3 [D.T.E. 04-85], see also Tr. 1, at 105-119 [D.T.E. 04-85])).

In D.T.E. 04-85, the Attorney General has presented testimony jointly sponsored by NSTAR Electric and the Attorney General that, if adopted, would have the FERC deny

the implementation of LICAP (Exh. AG-1 [D.T.E. 04-85]). If that position prevails, the Henwood Forecast would clearly overstate the price of electricity and customer savings from this transaction would be higher. If any adjustment to the Henwood Forecast were to be considered for the LICAP issue, the Department would need to address the probability that the appropriate LICAP level be "zero" and that the customer savings will be greater than that computed based on the Henwood Forecast. NSTAR Electric makes this observation, not to advocate for an increase in the savings forecast, but to demonstrate the futility of trying to tinker with the Henwood Forecast in an adjudicatory proceeding.

The Attorney General has pursued this issue well past the point of adding any probative evidence in this case. The Companies have applied the results of the updated Henwood Forecast to project customer savings from this transaction, and the Attorney General had the opportunity to pose questions about the Henwood Forecast and the LICAP issue. Additional hearings are unnecessary, and the Companies suggest that the record be reopened to incorporate the record in D.T.E. 04-85, which would render the Attorney General's motion moot.

Respectfully submitted,

**BOSTON EDISON COMPANY  
COMMONWEALTH ELECTRIC COMPANY**

By Their Attorneys,

A handwritten signature in black ink, appearing to read "Robert N. Werlin", written over a horizontal line.

Robert N. Werlin, Esq.

John K. Habib, Esq.

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Date: December 1, 2004